THE LEGISLATIVE ASSEMBLY OF
BRITISH COLUMBIA

Annual Summary of Activities

Select Standing Committee on Public Accounts

Second Report
Fourth Session, Thirty-eighth Parliament

February 2009

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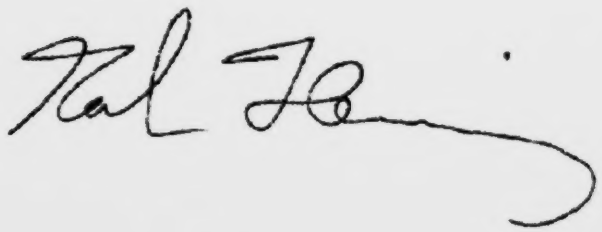
March 31, 2009

To the Honourable
Legislative Assembly of the
Province of British Columbia

Honourable Members:

I have the honour to present herewith the Second Report of the Select Standing Committee on Public Accounts for the fourth session that contains the annual summary of its activities.

Respectfully submitted on behalf of the Committee,



Rob Fleming, MLA
Chair

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COMPOSITION OF THE COMMITTEE

MEMBERS

Rob Fleming, MLA	Chair	Victoria-Hillside
Rick Thorpe, MLA (from August 17, 2008)	Deputy Chair	Okanagan-Westside
Harry Bains, MLA		Surrey-Newton
Hon. Iain Black, MLA (to August 17, 2008)		Port Moody-Westwood
Olga Ilich (from August 17, 2008)		Richmond Centre
Randy Hawes, MLA		Maple Ridge-Mission
Hon. Joan McIntyre, MLA (to August 17, 2008)		West Vancouver-Garibaldi
Hon. Mary Polak, MLA (to August 17, 2008)		Langley
Bruce Ralston, MLA		Surrey-Whalley
Claude Richmond (from August 17, 2008)		Kamloops
John Rustad, MLA		Prince George-Omineca
Bob Simpson, MLA		Cariboo North
Ralph Sultan, MLA		West Vancouver-Capilano
Claire Trevena, MLA		North Island
John Yap, MLA		Richmond-Steveston

CLERK TO THE COMMITTEE

Craig James, Clerk Assistant and Clerk of Committees

COMMITTEE RESEARCHERS

Josie Schofield, Committee Research Analyst

Kathryn Butler, Committee Researcher

TERMS OF REFERENCE

On March 4, 2008, the Legislative Assembly agreed:

1. That the reports of the Auditor General of British Columbia deposited with the Speaker of the Legislative Assembly during the fourth session of the thirty-eighth parliament be deemed referred to the Select Standing Committee on Public Accounts, with the exception of the report referred to in section 22 of the Auditor General Act which is referred to the Select Standing Committee on Finance and Government Services, and in addition that the following reports of the Auditor General of British Columbia be referred to the Select Standing Committee on Public Accounts:

Audit Reports:

Report No. 3, 2007/08: A Review of the Vancouver Convention Centre Expansion Project: Governance and Risk Management

Report No. 5, 2007/08: Preventing Fatalities and Serious Injuries in B.C. Forests: Progress Needed

Report No. 6, 2007/08: Literacy: Creating the Conditions for Reading and Writing Success

Follow-up Reports:

Report No. 8, 2004/2005: Follow-up of 2002/2003 Report 5: Managing Contaminated Sites on Provincial Lands (November 2004)

Report No. 9, 2004/2005: Follow-up of Two Health Risk Reports: A Review of Performance Agreements; Information Use in Resource Allocation (December 2004)

Report No. 12, 2004/2005: Third Follow-up of 2000/2001 Report 4: Management Consulting Engagements in Government (March 2005)

Report No. 1, 2005/2006: Follow-up of the Recommendations of the Select Standing Committee on Public Accounts contained in its Fourth Report of the 3rd Session of the 36th Parliament: Earthquake Preparedness; Performance Audit (May 2005)

Report No. 2, 2005/2006: Joint Follow-up of 2001/2002 Report 1: Managing Interface Fire Risks and Firestorm 2003 Provincial Review (May 2005)

Report No. 7, 2006/2007: Follow-up of 2003/2004 Report 4: Alternative Payments to Physicians: A Program in Need of Change (February 2006)

Report No. 4, 2007/2008: Follow-up of 2004/2005 Report 3: Preventing and Managing Diabetes in British Columbia (December 2007)

Other:

BC's Auditor General comments on Sea-to-Sky Highway Improvement Project Report (December 21, 2005)

2. That the Select Standing Committee on Public Accounts be the committee referred to in sections 2, 6, 7, 10, 13 and 14 of the *Auditor General Act.*

In addition to the powers previously conferred upon the Select Standing Committee on Public Accounts, the Committee be empowered:

(a) to appoint of their number, one or more subcommittees and to refer to such subcommittees any of the matters referred to the Committee;

(b) to sit during a period in which the House is adjourned, during the recess after prorogation until the next following Session and during any sitting of the House;

(c) to adjourn from place to place as may be convenient; and

(d) to retain personnel as required to assist the Committee,

and shall report to the House as soon as possible, or following any adjournment, or at the next following Session, as the case may be; to deposit the original of its reports with the Clerk of the Legislative Assembly during a period of adjournment and upon resumption of the sittings of the House, the Chair shall present all reports to the Legislative Assembly.

THE WORK OF THE COMMITTEE

Early in the fourth session, the Select Standing Committee on Public Accounts (PAC) carried out its statutory function related to the retention and disposal of government records. This process was summarized in its first report, which was adopted by the Legislative Assembly on May 28, 2008.

The Chair, along with Ralph Sultan, MLA and the PAC Research Analyst, attended the 29th Annual Conference of the Canadian Council of Public Accounts Committees in Whitehorse, Yukon from September 7 to 9. Following the conference, the Chair attended the CCAF Western Canada Symposium on performance reporting in the digital age, which was held in Vancouver.

During the fourth session, the PAC reviewed ten main reports (May 13 and 27, October 24, November 19 and 24, December 2 and 10) and seven follow-up reports deposited by the Auditor General with the Speaker of the Legislative Assembly. The PAC also approved the Auditor General's annual financial statement audit coverage plan.

By the end of the fourth session (February 16), the PAC had not reviewed the following reports tabled by the Auditor General during the current fiscal year:

Report No. 5, 2008/09: *Removing Private Land from Tree Farm Licences 6, 19 & 25: Protecting the Public Interest?*

Report No. 7, 2008/09: *Home and Community Care Services: Meeting Needs and Preparing for the Future*

Report No. 8, 2008/09: *Follow-up Report: Updates on the implementation of recommendations from recent reports*

Report No. 9, 2008/09: *Observations on Financial Reporting: Audit Findings Report on the 2007/2008 Summary Financial Statements*

Report No. 10, 2008/09: *A Major Renovation: Trades Training in British Columbia*

Report No. 12, 2008/09: *Planning for School Seismic Safety*

Report No. 13, 2008/09: *Public Sector Governance and How Are We Doing?*

Report No. 14, 2008/09: *Grant Administration of the BC Arts Council; 2010 Olympics and Paralympic Games*

Copies of the Auditor General's reports are available at: www.bcauditor.com/

Minutes and transcripts of PAC meetings and PAC reports are available on the parliamentary committees website at: www.leg.bc.ca/cmt/index.htm

AUDITOR GENERAL REPORT NO. 6, 2007/2008:
LITERACY: CREATING THE CONDITIONS FOR READING AND WRITING SUCCESS

The Public Accounts Committee met on May 13, 2008 to consider the Auditor General's report on literacy. The Committee heard presentations from the Office of the Auditor General (OAG) and the Ministry of Education.

SUMMARY OF OAG REPORT

The report points out that promotion of literacy became a top priority of the provincial government in 2004, with its Throne Speech commitment that British Columbia would be recognized as "the most literate jurisdiction in North America by 2010" (later raised to 2015).

The purpose of the OAG audit was to assess how well the Ministry of Education and the Ministry of Advanced Education, as well as four school districts and four post-secondary institutions, were planning and managing the province's efforts to reach its literacy goal. The audit team looked at literacy programs within the K-to-12 system and adult literacy training.

The audit team concluded that the government had demonstrated some leadership in promoting literacy over the last few years by developing a province-wide strategy, but the actual cost of implementing its strategy was still unknown. The government had also made progress in encouraging better coordination and collaboration with the key stakeholders, but more needed to be done if it hoped to reach its literacy goal by 2015.

The report contains four key findings and makes six recommendations to improve coordination of literacy services at the provincial and local levels, to enhance strategic planning for literacy services, and to improve monitoring and reporting.

SUMMARY OF GOVERNMENT'S RESPONSE

Two senior officials in the Ministry of Education, the Deputy Minister and the Director, Provincial Literacy Planning and Performance, presented the formal response to the literacy audit report. Both witnesses described the report as constructive and providing sound advice, which was being acted upon in year 2 of ReadNow BC, the government's literacy action plan.

The Director then reviewed the concrete steps being taken to implement the report's recommendations for improving literacy in B.C. To encourage greater use of literacy services, there is now an ongoing public awareness strategy at the provincial and local community levels. The Ministry of Education was also making efforts to improve data and support planning in order to target funding and resources appropriately, and to enhance monitoring and reporting.

COMMITTEE INQUIRY

After hearing from the witnesses, the committee inquiry focused on the following topics: performance indicators and resources for boards of education. Individual committee members also

asked about workplace literacy initiatives; the Early Childhood Learning Agency and StrongStart BC early learning centres; and federal literacy efforts for immigrants.

Performance Indicators

Members inquired how government was tracking its progress in achieving its literacy goals and objectives. The Director of Provincial Literacy Planning and Performance explained that two baselines were being used. The first figure — from the 2003 International Adult Literacy and Skills Survey (IALSS) — is one million British Columbians between the ages of 16 and 65 who do not have the skills and abilities to be able to function effectively in a knowledge-based society. The second figure, based on Dr. Clyde Hertzman's work at UBC, is one in four children entering school who are not ready to be successful in their early learning.

Regarding targets, the witness reported that government is seeking to increase: the number of school-ready children from 79 percent to 85 percent in ten years; the number who complete secondary school from 79 percent to 85 percent in ten years; and the number of adults achieving the IALSS level 3 or equivalent from 65 percent to 70 percent in ten years. She acknowledged that meeting these targets would not be not an easy task, adding that improving adult literacy levels would require working closely with the immigrant population and Aboriginal people.

In response to follow-up questions, the witness stated that British Columbia is the first jurisdiction in Canada to look at literacy as important at each stage of life, rather than treating literacy in the K-to-12 sector and adult literacy as separate solitudes. She also confirmed that the IALSS definition of literacy includes numeracy as well as reading, comprehension and writing.

Resources for Boards of Education

Committee members also inquired about the resources that the ministry was providing to boards of education for taking on the function of coordinating literacy efforts at the local level. In response, the Director of Provincial Learning and Innovation reported on the appointment of a superintendent of literacy and lifelong learning, the provision of literacy innovation grants to school districts, and the work undertaken by LiteracyNow regarding district literacy plans.

The Deputy Minister then explained that since the mandate of local boards of education now covers early learning and adult literacy, every school district has received an increased level of block funding each year, commensurate with the expanded mandate.

Members also asked if the new mandate required the board of education to make sure literacy services were available for workers in communities undergoing transition, or simply to report on the gaps in services. The Director of Provincial Learning and Innovation explained that it was the responsibility of the board of education to work collaboratively with its community partners to develop the district literacy plan and meet the goals, including targets regarding adult literacy services. A number of funding streams were available to assist local boards.

COMMITTEE RECOMMENDATION

The Public Accounts Committee endorses the six recommendations contained in the Auditor General's 6th Report of 2007/08, *Literacy: Creating the Conditions for Reading and Writing Success*, and recommends the same to the Legislative Assembly. Since it is satisfied with the progress being made by the Ministry of Education, the committee recommends that no further action be taken at this time.

AUDITOR GENERAL REPORT NO. 5 2007/2008:

PREVENTING FATALITIES AND SERIOUS INJURIES IN B.C. FORESTS: PROGRESS NEEDED

The Public Accounts Committee met on May 27, 2008 to consider the Auditor General's report on forest safety. The committee heard presentations from the Office of the Auditor General (OAG); the Ministry of Labour and Citizens' Services and the Ministry of Forests and Range.

SUMMARY OF OAG REPORT

The report describes government efforts to address the forest worker safety problem. In August 2003, the Premier appointed a Forest Safety Task Force that committed to cutting the number of deaths and serious injuries by half within the next three years. In January 2004, the task force issued its final report and set a more radical goal of zero deaths and serious injuries in the industry. However, in 2006, 13 workers died and 73 suffered serious injuries in forestry workplace accidents. This situation prompted the Minister of Forests and Range, and the Minister of Labour, to call for an independent review of forest safety issues.

The purpose of the OAG audit was to assess the government's progress toward fulfilling its commitment to eliminate forest worker death and serious injury. Using the final report of the Forest Safety Task Force as a starting point, the audit team considered how government agencies' safety efforts affected core forest-harvesting activities — known as "stump to dump" activities (e.g. felling, bucking, yarding, loading and hauling of timber). The work was carried out between December 2006 and May 2007.

The overall conclusion of the audit team was that government had to overcome significant challenges if it was to meet its radical goal of zero fatalities and serious injuries; that the measures just being implemented were not yet proving effective; and that proactive government action was required to ensure safe practices were adopted as the norm.

The report contains five key findings grouped around three themes: the need for leadership and appropriate organization to make safety a priority; the need for mechanisms to make safety a priority; and the need for better reporting on the progress in meeting forest safety goals.

The OAG report contains 15 recommendations to the Ministry of Labour and Citizens Services, WorkSafe BC and the Ministry of Forests and Range for improving forest worker safety. Its first and top recommendation is that government assign one ministry to lead in terms of issuing policy direction, including initiating regulatory change, closing jurisdictional gaps and assigning resources to meet government safety commitments.

SUMMARY OF GOVERNMENT'S RESPONSE

Senior officials in the Ministry of Labour and Citizens' Services and the Ministry of Forests and Range provided the Public Accounts Committee with a status update on the implementation of the report's 15 recommendations for improving forest worker safety.

Regarding the first recommendation, the Assistant Deputy Minister of Labour Programs reported that the Ministry of Labour and Citizens' Services has taken on a lead role and established the Interagency Committee on Forest Safety. This committee's provincial strategy would focus on: alcohol/drug use and the fatigue issue; self-employed forest workers and small operations; resource roads; and consolidation of fatalities/serious injuries data. The Interagency Committee would also coordinate government's response to specific recommendations in the OAG report: economic incentives for rewarding safe operators (recommendation 5), direct input and expertise from other resource sectors (recommendation 7), mandatory training (recommendation 12), and reporting of fatalities/serious injuries (recommendation 15).

The ADM then reviewed the forest safety rule changes made by WorkSafe BC, the agency in charge of enforcement. He explained that amendments to Part 26 of the Occupational Health and Safety Regulation would fully or partially address issues of: work-site safety infrastructure (recommendation 2), training and supervision of self-employed forest workers (recommendation 3), mandatory prequalification requirement for all firms (recommendation 4), supervision of all forest workers (recommendation 10), identification and enforcement of safe work-hour limits (recommendation 13), and protection of workers during work-time travel (recommendation 14).

Regarding vigorous enforcement of regulation (recommendation 6), the ADM explained that WorkSafe BC was now using an integrated forest compliance strategy, resulting in a 20 percent increase in inspections and a 15 percent increase in orders over 2007.

Next, the Executive Director, Operations reported on actions taken in the Ministry of Forests and Range to implement mandatory robust safety planning in all aspects of forestry operations (recommendation 8), to consider amendments to the *Foresters Act* to make explicit mention of safety (recommendation 9), and to enforce safe use of resource roads (recommendation 11).

Committee Inquiry

After hearing from the witnesses, the committee inquiry focused on the following topics: the comparability of forest accident records; the impact of deregulation of the forest sector; and the role of the Interagency Committee on Forest Safety. Members also asked questions about: the origins of the forest safety audit; the 90-day forestry regulatory review; the lack of a safety objective in the *Forest and Range Practices Act*; and the extent of forest-sector experience among compliance and enforcement officers.

Forest Accident Records

Members were interested in finding out how the incidence of forest worker death and serious injury in British Columbia compared to other forestry-intensive jurisdictions. A WorkSafe BC official stated that comparison with other provinces was very difficult since the B.C. forest industry was the largest within Canada. When compared to places like Sweden that has optimum training and supervision, British Columbia's record "did not look very good."

In a follow-up question, the witness was asked what best practices from other jurisdictions could be applicable to the B.C. forest industry. He responded that the first challenge is to change the risk-

taking culture in B.C. forests, where safety has been a very low priority. Changing behaviour and attitudes would be a slow process, as illustrated by the fact that even after all fallers within the province have become certified, shortcuts were still being taken. To minimize risks, on-site supervision and safety infrastructure, education and training, were essential.

Deregulation of the Forest Sector

Some committee members criticized the OAG report for not establishing a direct link between deregulation and cutbacks to WorkSafe BC and the "very severe spike" in fatalities and serious injuries. In response, the Deputy Auditor General explained that the report talks about the general impact of deregulation, the fact that responsibility for safety was, in effect, pushed down to the small companies, and also refers to the decline in inspections during the 2002-04 period .

These members also questioned how effective supervision could be in a deregulated forest industry with a "race-to-the-bottom mentality" in terms of safety regulations. In his response, the ADM anticipated that the changes made to the Part 26 forestry safety provisions would improve supervision of small operators.

Others, however, voiced concern about adding another layer of supervision to logging operations, as it could have a dampening effect on the entrepreneurial culture in the forests — with the extra safety costs making it more difficult for the industry to stay competitive.

Role of Interagency Committee on Forest Safety

Some Members inquired if the Interagency Committee on Forest Safety was taking on the leadership function, which the OAG report recommended assigning to one ministry. The ADM of Labour Programs explained that his ministry had taken the lead in terms of driving the committee forward. At this stage, the committee was performing that lead agency function, but if this strategy was not effective, other approaches might include designating a lead ministry.

On a related matter, the ADM was asked why alcohol/drug use was included as a priority in the Committee's provincial strategy when it had not been raised in the OAG report on forest safety. He explained that the decision was made at the first committee meeting to consider issues not discussed in the OAG report that did have an impact on safety in the forest industry.

Another line of questioning focused on the future workplan. The witness was asked whether the Interagency Committee would be tackling the discrepancy in forestry workplaces — designating a mill as a work site but not a cut block in the bush — "the elephant in the room with respect to land-based forest worker safety," according to one MLA. Also raised was the question of the Interagency Committee's role in ensuring that government acted on the recommendations of coroners' inquests into forest fatalities. The ADM responded that neither topic fell under the Committee's terms of reference at present.

With regard to the existing mandate, the ADM was receptive to one member's suggestion that the Committee consider covering the costs of the training program and certification for smaller operations as an alternative to offering economic incentives as rewards for safe operators.

COMMITTEE RECOMMENDATION

The Public Accounts Committee endorses the 15 recommendations contained in the Auditor General's 5th Report of 2007/08, *Preventing Fatalities and Serious Injuries in B.C. Forests: Progress Needed*, and recommends the same to the Legislative Assembly. The committee also notes both the concurrence and the progress made by the ministries and the Interagency Committee on Forest Safety to implement the recommendations.

AUDITOR GENERAL REPORT NO. 8, 2007/2008:
MANAGING ACCESS TO THE CORRECTIONS CASE MANAGEMENT SYSTEM

The Public Accounts Committee met on October 24, 2008 to consider the Auditor General's report on the corrections case management system. The committee heard presentations from the Office of the Auditor General (OAG), the Ministry of Public Safety and Solicitor General and Ministry of Attorney General, and the Ministry of Children and Family Development.

SUMMARY OF OAG REPORT

The report points out that CORNET is the case management system used to track offenders that are serving their time in custody or on probation in the community according to the terms set out by the courts. The database contains sensitive information dating back about 30 years for approximately 400,000 current and past offenders.

The CORNET application is co-owned by the Ministry of Public Safety and Solicitor General (responsible for adult offender data) and the Ministry of Children and Family Development (responsible for young offender data). The Ministry of Attorney General is responsible for technical infrastructure, including system security, firewalls and the database. About 90 percent of the 4,000 system users within CORNET are government employees in the three ministries.

The audit looked at who has been granted access to CORNET and how well access was being managed. It was one of the first IT security examinations undertaken by the OAG of a significant non-financial database.

The audit's findings were that access rights were set up appropriately for most users of the CORNET application; however, there were some incorrect access levels that could lead to inappropriate access, and access was not removed promptly removed when staff resigned, retired or went on extended leave.

The audit team also found that users could bypass CORNET database controls to inappropriately view, change or copy data; that the firewall allowed excessive user access directly to the database; and that there was insufficient monitoring of database access.

At the UNIX operating system level, the audit findings were that a powerful UNIX user ID and password was being shared by a few IT support staff, software updates (patches) were not being applied, and implementation of security policy was not being enforced by the security group.

The audit team's overall conclusions were that the assignment of access to the application was generally appropriate, that user maintenance processes were not always followed, and that there were several significant gaps in database security, which were remedied quickly.

In March 2008, the OAG produced a management report containing 92 recommendations for the ministries of Attorney General and Public Safety and Solicitor General. The report released to the public contains 34 recommendations summarized to nine key ones in the executive summary.

Summary of Government's Response

The Chief Information Officer, Ministry of Public Safety and Solicitor General and Ministry of Attorney General, described the OAG audit as valuable, providing insight into some weaknesses, the majority of which were able to be addressed immediately. The audit also improved the security of sensitive information under control of the ministries, increased awareness between the program and IT areas, and would enhance overall IM/IT security for the justice sector.

The CIO then reported on the specific actions being taken to improve the security of both the CORNET application and database, and to improve audit logs and the monitoring capability of the application and database. Of the 92 recommendations, 65 were addressed within the first 90 days of receiving the OAG draft report. He anticipated ten other recommendations would be addressed by the end of October 2008, and 13 more by the end of March 2009. The four remaining recommendations require longer-term action plans, including funding to develop a comprehensive risk management strategy, a provisioning and access strategy, a vulnerability management strategy and a patch management strategy.

Committee Inquiry

After hearing from the witnesses, the committee inquiry focused on security breaches and audit implications. Members also asked questions about victim data and young offender data.

Security Breaches

Members asked whether the audit team had found any instance of unauthorized access. The Auditor General explained that the question was hard to answer because logs relating to database access were kept for only 30 days. While there were "some suspicious footsteps" in the 30-day log reviewed by the audit team, there was not enough evidence to conclude that these qualified as breaches by unauthorized users.

The CIO was also asked for his opinion. He stated that no evidence had been brought to the attention of management of any unauthorized access, either through the logs or by the employees, adding that any gaps in access controls have now been closed.

On a related matter, the Chair asked who was overseeing the key IT staff with unrestricted access rights. The CIO responded that management has to trust "the people with the golden keys." To manage risk, regular background and security checks of staff are conducted and ministry management investigate any questionable activity to ensure there has not been a security breach.

Audit Implications

Members asked the Auditor General whether the audit findings re access controls and password management have implications for other databases used in the public sector. The Auditor informed the Committee that his understanding was that the lessons learned from the CORNET audit have been applied to another major system in the justice sector.

COMMITTEE RECOMMENDATION

The Public Accounts Committee endorses the nine recommendations contained in the Auditor General's 8th report of 2007/08, *Managing Access to the Corrections Case Management System*, and recommends the same to the Legislative Assembly. The committee notes the progress being made by government in implementing them to date.

AUDITOR GENERAL REPORT NO. 4, 2008/2009:
MANAGING GOVERNMENT'S PAYMENT PROCESSING

The Public Accounts Committee met on November 19, 2008 to consider the Auditor General's report on payment processing. The committee heard presentations from the Office of the Auditor General (OAG), the Ministry of Finance and the Ministry of Labour and Citizens' Services (MLCS).

SUMMARY OF OAG REPORT

The report points out that the provincial government processes millions of banking transactions each year, totalling over $30 billion in 2007, and it relies on information technology to process the large volume of electronic funds transfers (EFTs) and cheque payments accurately. The payments are handled by Corporate Accounting Services, MLCS (generates payment and bank reconciliation files); BC Mail Plus (prints and distributes paper cheques and payment statements); and Banking/Cash Management Branch, Provincial Treasury (releases electronic bank payments, manages payment status).

The payment-processing audit report is part of an ongoing review by the OAG of government's key financial systems. Two previous audits of the corporate accounting system stopped short of looking at what happens after the approved payment information is sent for processing. The latest audit completed the end-to-end review by examining automated and manual controls over the processing and management of both electronically transferred and cheque-based payments.

The audit team examined controls in six separate business areas — generation of payment and control information; printing and distribution of cheque payments; processing and release of EFT payments; management of the status of payments; bank reconciliation processes; and back-up and business continuity planning. The common findings across these areas were: inadequate management review; some inappropriate access; lack of segregation of incompatible duties; little or no monitoring activities in some areas, and some out-dated policies and procedures.

Overall, the audit team found that adequate controls were in place to manage risks associated with government's payment processing. However, there were some business areas where controls needed to be improved to guard against financial losses.

In late 2007 and early 2008, the OAG provided management with a detailed report on each of the six business areas audited, along with 85 recommendations. The contents were not published to avoid introducing any security risks.

The OAG report released in May 2008 contains 34 key recommendations grouped into five themes: increase management review; remove inappropriate access; strengthen segregation of duties; step-up user monitoring activities; and keep policies and procedures current.

SUMMARY OF GOVERNMENT RESPONSE

The ADM Provincial Treasury, Ministry of Finance presented the government's overall response to the OAG report. He reported that the Provincial Treasury, BC Mail Plus and Corporate

Accounting Services generally agreed with the key audit findings and the recommendations. The ADM then reviewed the concrete steps taken to implement the OAG report's recommendations.

The ADM then informed committee members that adequate controls were in place to manage risks associated with government's payment processing, and most recommendations have been implemented (71 of 85, or 83%). Work was continuing on evaluating the risks, costs and benefits of alternate options for addressing the balance of recommendations by 2009/10. The witness concluded his presentation by informing the committee that government is committed to implementing a three-phased strategy to further strengthen payment processing controls.

Committee Inquiry

After hearing from the witnesses, the committee inquiry focused on the following topics: adequacy of access controls and the reporting-out process. Individual committee members also asked questions about the exclusion of government credit card payments, options to strengthen segregation of duties, off-site tests of business continuity plans, and payment processing for legislative offices.

Access Controls

Members inquired if there had been any instance of inappropriate access or of a payment transaction having been altered. Both the ADM and the Auditor General confirmed that to their knowledge, this had never occurred.

In response to a follow-up question, the Auditor General informed the Public Accounts Committee that generally his office was satisfied with the level of controls. Also, since government was addressing issues of timeliness of detection and taking action on other recommendations, he was confident that the controls were adequate.

Reporting-out Process

One committee member asked the OAG witnesses a procedural-process question: how could the Public Accounts Committee exercise effective oversight when some recommendations made by the audit team to senior management are not made public for security reasons? In response, the Auditor General explained that the continuous communication with management on sensitive issues has sometimes delayed the publication of audit reports. He then offered committee members an in-camera briefing on the 85 recommendations of the payment-processing audit.

Committee Recommendation

The Public Accounts Committee endorses the 34 recommendations contained in the Auditor General's 4th Report of 2008/09, *Managing Government's Payment Processing*, and recommends the same to the Legislative Assembly. The committee also recognizes the progress government has made in addressing all the recommendations.

AUDITOR GENERAL REPORT NO. 2, 2008/2009:
STRENGTHENING ACCOUNTABILITY IN BRITISH COLUMBIA: TRENDS AND OPPORTUNITIES IN PERFORMANCE REPORTING

The Public Accounts Committee met on November 24, 2008 to consider the Auditor General's report on performance reporting in the public sector. The committee heard presentations from the Office of the Auditor General (OAG) and the Ministry of Finance.

SUMMARY OF OAG REPORT

The purpose of this report was to look back at the evolution of performance reporting since 1995; and to look forward to how accountability can be further strengthened.

The audit team identified three essential preconditions for the success of performance reporting: requirements, enshrined in legislation, to publish performance results; standards of reporting accepted by both preparers and users of information; and the capacity to produce and use relevant and reliable performance data.

The audit findings were that the first two preconditions (requirement to publish, standards of reporting) have largely been met since the passage of the *Budget Transparency and Accountability Act* (BTAA) in 2000 and the development of BC reporting principles (BCRP) in 2003, which were endorsed by the Public Accounts Committee. For the third precondition (capacity to produce and use performance data), the trend for Crown agencies has been encouraging; however, no ministry has yet met the standard of reporting envisaged in the BCRP.

Regarding the government's annual strategic plan report, the assessment of the audit team was that the quality of this report has in fact gone downward because it is not consistent with BCRP or prepared on a whole-of-government basis.

The OAG report contains five recommendations:

1. Ministries to focus on developing relevant and reliable short-term and long-term performance measures that are consistent with BCRP
2. Government's strategic plan and strategic plan report to meet BCRP
3. Service plan and service plan report guidelines to be consistent with, and require compliance with, BCRP
4. School districts, universities, colleges and health authorities (SUCH sector) be subject to similar accountability for their performance as ministries and Crown agencies
5. Legislators to have the opportunity to publicly scrutinize the planned and actual performance of all organizations in the government reporting entity

The report also identifies three key opportunities going forward where accountability and performance reporting could also be improved: the inclusion of the SUCH sector, legislative review of annual reports and the need for third-party assurance.

Summary of Government Response

The Deputy Minister of the Ministry of Finance presented the government's overall response to the OAG report, which he described as "a work in progress." He stated that government remains fully committed to continuous improvement in public performance reporting to enhance transparency and accountability consistent with BTAA requirements and BCRP guidance.

Next, the Deputy Minister reported that government agrees with OAG recommendations 1-4. However, regarding recommendation 5, government believes that legislators already have the opportunity to scrutinize government's service plans and service plan reports. Also, government was not as keen as the Auditor General on legislating performance reporting principles, or on the OAG providing third-party assurance on the quality of information in annual reports.

Committee Inquiry

After hearing from the witnesses, the committee inquiry focused on the following topics: the need to re-evaluate BCRP and the choice of performance indicators. Individual committee members also asked questions about health authorities' performance information, comparative ranking of BC reporting principles, and the third-party assurance requirement.

Re-evaluating BCRP

Based on the audit findings and the ministry response, the Chair suggested that it was time to re-evaluate BCRP. In response, the Deputy Minister suggested that active use of the service plan reports by legislators would be the biggest single factor that would drive improvement.

The Chair also inquired if the audit had revealed how ministries made decisions on the number of performance indicators to be used. The audit team leader explained that it was really up to the individual organization to determine what the best indicators were and then explain why.

The Deputy Chair asked the witnesses if there was any merit in the Auditor General and someone appointed by government engaging in a meaningful consultation process to develop a road map for the future with respect to performance measures, and a time line for implementation. The Auditor General suggested that consultation should not only be with each other but also with the potential users of the information to make sure it satisfies their needs. He was happy to commit to fast-tracked discussions with the Ministry of Finance to see how they can move forward on this topic quickly and then report back to the Public Accounts Committee.

In response to a follow-up question, the Auditor General clarified that the OAG report did not propose that BCRP be legislated, but that the SUCH sector report properly on their key performance indicators. For further improvements, he proposed linking third-party assurance to performance reporting and also considering "citizen-centric" reporting on cross-government programs (e.g. 2010 Winter Olympics) rather than just ministry-silo reporting.

COMMITTEE RECOMMENDATION

The Public Accounts Committee endorses the five recommendations contained in the Auditor General's 2nd report of 2008/09, *Strengthening Accountability in British Columbia: Trends and Opportunities in Performance Reporting*, and recommends the same to the Legislative Assembly. The committee also accepts the ministry's response.

AUDITOR GENERAL REPORT NO. 3, 2008/2009:
MANAGEMENT OF ABORIGINAL CHILD PROTECTION SERVICES

The Public Accounts Committee met on December 2, 2008 to consider the Auditor General's report on Aboriginal child protection services. The committee heard presentations from the Office of the Auditor General (OAG) and the Ministry of Children and Family Development.

SUMMARY OF OAG REPORT

The OAG audit of the management of Aboriginal child protection services by the B.C. Ministry of Children and Family Development (MCFD) was performed concurrently with a similar audit conducted by the Auditor General of Canada of Indian and Northern Affairs Canada's management of its responsibilities for child protection in B.C. (as well as in several other provinces). Together, the two audit reports are intended to present a broader perspective on Aboriginal child welfare services in British Columbia. In 2007, when the audits were conducted, Aboriginal children accounted for only 8 percent of B.C. children, yet they made up 51 percent of children in the care of the province, compared with the national average of 30 to 40 percent.

The purpose of the OAG audit was to determine how well the MCFD was managing efforts to provide Aboriginal child protection services that were culturally appropriate, equitably accessible and effective. Specifically, the audit assessed whether the Aboriginal child protection program was appropriately designed, resourced, managed and reported on to meet the goals set for it. In auditing the mix of service delivery —part by delegated Aboriginal agency, part by MCFD — the audit team looked at how the ministry itself delivers services and how it supports and monitors the delegated Aboriginal agencies in the five regions.

The audit team concluded that many of the child protection needs of Aboriginal children continue to remain unmet. While the ministry had attempted to collaborate with Aboriginal organizations and the federal government, several challenges had slowed the transfer to Aboriginal agencies of responsibility for delivering child protection services. The audit's key findings were: the service delivery approach was only partly successful at meeting the goals; the service needs and resources required for Aboriginal child protection had not been identified; the ministry's change management practices were not in step with its service delivery goals; and reporting was inadequate on service delivery outcomes.

The report contains ten recommendations, grouped under four themes: service delivery approach (Recommendations 1 to 3); needs and required resources (Recommendations 5 to 7); change management (Recommendations 4, 8, 9); and public reporting (Recommendation 10).

SUMMARY OF GOVERNMENT RESPONSE

The ministry's Chief Operating Officer presented a progress report to the Public Accounts Committee that focused on actions taken since the audit was completed in 2007. He acknowledged that the OAG report highlights the challenges and complexities in the Aboriginal child protection

system, and then described the ministry's Aboriginal approach, outlined in its Strong, Safe and Supported Action Plan and Operational Plan.

Ministry witnesses then shared the task of reviewing actions taken to date to implement the OAG report's recommendations. The ADM for Aboriginal Policy reported on the ministry's service delivery approach; the ADM for Corporate Services focused on needs and resources; and the Chief Operating Officer dealt with change management initiatives and public reporting. In summary, work was well underway, but more needed to be done. Federal government support was critical for the success of the ministry's Aboriginal approach, and the ministry was in the process of strengthening its relationship with Aboriginal partners.

Committee Inquiry

After hearing from the witnesses, the committee inquiry focused on the adequacy of the regional funding model for Aboriginal child protection services and the definition of "culturally appropriate" services. Individual committee members also asked questions about the current proportion of Aboriginal employees, the statistical data on the number of Aboriginal children in care, northern initiatives, and the revisions to Aboriginal operational standards.

Regional Funding Model

One line of questioning focused on the OAG report's recommendation 4 proposing a process for identifying needs and resources required for Aboriginal child protection services. Some committee members asked the MCFD witnesses if the allocation of more money would enable the ministry to ensure that regional funding levels are adequate to provide the needed services.

The ADM for Corporate Services confirmed that some new funding (provincial and federal) had been received, but that the community-to-community analysis to determine Aboriginal child protection needs had not been conducted yet. In response to a follow-up question, the Chief Operating Officer added that the ministry's action plan (pillar 4) includes a commitment to a community-to-community review of service delivery gaps. He also reported that additional support would be needed from the federal government and other provincial ministries to develop the prevention model and early intervention services.

Culturally Appropriate Services

Members also asked about the ministry's progress in defining "culturally appropriate" services as a way to monitor the success of its Aboriginal approach. The Chief Operating Officer explained that the ministry was still considering how to proceed, as there were about 198 different nations with different cultures, languages and traditions. In response to a follow-up question, the ADM for Aboriginal Policy stated that the definition of "culturally appropriate practice" would depend on how First Nations and Aboriginal people interpret ministry standards, policy and legislation.

COMMITTEE RECOMMENDATION

The Public Accounts Committee endorses the ten recommendations contained in the Auditor General's 3rd report of 2008/09, *Strengthening Accountability in British Columbia: Trends and Opportunities in Performance Reporting*, and recommends the same to the Legislative Assembly. The committee also accepts the ministry's response.

AUDITOR GENERAL REPORT NO. 6, 2008/2009:
INTERIOR HEALTH AUTHORITY: WORKING TO IMPROVE ACCESS TO SURGICAL SERVICES

The Public Accounts Committee met on December 2, 2008 to consider the Auditor General's report on access to surgical services. The committee heard presentations from the Office of the Auditor General (OAG), the Interior Health Authority and the Ministry of Health.

SUMMARY OF OAG REPORT

The report focuses on how one health authority was managing the delivery of surgical services. The Interior Health Authority (IHA) was chosen because it provides a broad mix of surgical services to both rural and urban populations. In 2006, it handled over 80,000 surgical cases.

The purpose of the audit was to assess whether Interior Health Authority (IHA) has systems in place to provide safe, efficient and effective surgical services. Specifically, the audit team examined whether IHA had a comprehensive framework for surgical services, effective surgical-services management, information systems to support the services, and performance reports.

The overall conclusion of the audit team was that Interior Health did not have all necessary systems in place to optimize the use of resources for efficient and effective surgical services. There was a lack of clear direction, integrated human resources planning and defined roles. However, IHA had taken steps to improve effectiveness (i.e. pre-surgical screening and standardized operating-room booking); information systems and a suite of indicators were in place; and performance was reported on internally and to the ministry, but not to the public.

The report makes 12 recommendations that are applicable to all health authorities. These focus on four areas: putting in place a comprehensive and fully integrated regional surgical program (recommendations 1 to 2); further demonstrating effectiveness in surgical services management (recommendations 3 to 10); putting information systems in place to further support surgical services management (recommendation 11); and performance reporting (recommendation 12).

SUMMARY OF GOVERNMENT RESPONSE

Two witnesses from Interior Health presented the formal response to the OAG report. The first, the Chief Operating Officer, Strategic and Corporate Services stated that IHA agreed with all the recommendations, and was making progress on implementing each one. He then reported on actions taken to date and actions planned, with the target for completion set at 2013.

Next, the Chair of the IHA surgical council reviewed a number of surgical access initiatives that were making a real difference for patients, including: BC surgical patient registry, wait-list audits, urgency profiling, and surgeon reports. He also informed committee members of a conference in January 2009 on the provincial strategy for managing access to surgery services.

Finally, the Assistant Deputy Minister, Health Authorities Division, Ministry of Health Services explained how Interior Health initiatives fit within the broader context of provincial oversight for

acute and surgical services. She also provided some examples of current regional initiatives for improving access to surgical services.

Committee Inquiry

After hearing from the witnesses, the committee inquiry focused on the scope of performance reporting, the adequacy of information systems and the time line for human resource planning. Individual committee members also asked questions about IHA surgical-services nursing staff, the lead time for training nurses and credential recognition for foreign-training nurses; Vancouver Island Health Authority's physician resource plan and people plan; costs of inter-authority transfers of patients and procedures; urgency profiling criteria; shared services organization (provincial); and the upcoming conference planned for January.

Performance Reporting

Some Members focused on the need for public reporting of performance (recommendation 12) and inquired whether all the information in internal reports would be posted on the ministry's updated surgical wait-times website, or only parts of it. The ADM responded that the province would continue to post only information useful to the public, and did not plan to include personally identifying information about surgeons' practice. The Auditor General was also asked for his opinion, and his suggestion was to ask members of the public what they are interested in. In response to a follow-up question, he described the commitment from Interior Health and the ministry to deliver on performance reporting as "a welcome initiative" that would allow citizens and legislators to determine whether results were appropriate.

Information Systems

Others voiced concerns that the province was using two different software systems (ORSOS and PICIS) rather than a standardized information management model across all health regions. The ADM explained that she could not comment on their vulnerability but based on her personal familiarity, she would rank both systems as "extraordinarily good." She added that the ministry would be looking at developing a standardized approach to information management over time.

Human Resource Planning

Finally, the Deputy Chair asked IHA witnesses to clarify the time line for implementing a focused approach to human resource planning for surgical services (recommendation 1). The Chief Operating Officer reported that workforce planning sessions have been held and action plans put together, with the target for completion set at 2013 on how to address the retirement issue. As well, IHA would be looking at expansion possibilities and training programs over the next five years.

COMMITTEE RECOMMENDATION

The Public Accounts Committee endorses the 12 recommendations contained in the Auditor General's 6th report of 2008/09, *Interior Health Authority: Working to Improve Access to Surgical Services*, and recommends the same to the Legislative Assembly. The committee also accepts Interior Health's response.

AUDITOR GENERAL REPORT NO. 3, 2007/2008:
A REVIEW OF THE VANCOUVER CONVENTION CENTRE EXPANSION PROJECT: GOVERNANCE AND RISK MANAGEMENT

The Public Accounts Committee met on December 10, 2008 to consider the acting Auditor General's report on the Vancouver Convention Centre Expansion Project. The Committee heard presentations from the Office of the Auditor General (OAG) and the B.C. Pavilion Corporation, the operator of the Vancouver Convention and Exhibition Centre.

SUMMARY OF OAG REPORT

The report points out that the OAG review of Vancouver Convention Centre Expansion Project Ltd. (VCCEP) was commissioned by the VCCEP Board Chair in February 2007. The review of governance and risk management included an assessment of the ongoing cost increases.

The report begins with a chronology of the significant events in the evolution of the convention centre expansion, including the creation of VCCEP, a Crown agency, in 2003. The history of budget escalations ranged from the initial estimate of $495 million (first announced in 2000 and again in 2003) through to the final project budget of $883.2 million, approved by government in July 2007. The report then highlights the specific challenges VCCEP faced, including: developing accurate cost estimates, and implementing an effective project management and governance framework.

The balance of the report addresses three questions:

- Were projects risks being managed, particularly those related to cost escalation?
- Was an appropriate project management framework in place, and was it being applied?
- Did the project's governance framework allow for timely, informed decision-making?

The audit team's key findings were: initial funding commitments were not based on detailed project budgets; inflationary pressures and scope changes had made cost estimating for the project difficult; having to complete the project within a short time frame led to a procurement strategy that left VCCEP with all significant risks; VCCEP used appropriate governance and project management frameworks, but aspects of formal project reporting had been incomplete; and VCCEP faced managing several new risks before the project ends in March 2009.

The OAG report contains only one recommendation to VCCEP: to strengthen monthly progress reports to key stakeholders by including estimated costs to complete the project, details about key assumptions and the status of significant risk factors. Also included are three observations to help government manage future major capital projects: design before tendering; management of contingencies and allowances; and board expertise.

Summary of PavCo Response

At the December 10 meeting, the Board Chair of the B.C. Pavilion Corporation (PavCo) presented the formal response to the OAG report (released October 2007). He reported that VCCEP had taken steps to implement the recommendation before it had formally amalgamated with PavCo on April 1, 2008. PavCo was now in charge of the expansion project.

The PavCo Board Chair then provided an update on a number of steps taken since April 2007, including: the negotiation of an acceptable lump sum price contract with the general contractors, PCL Constructors Westcoast Inc; confirmation of a detailed project schedule and final project budget of $883.2 million (July 2007). As a result, the project was on time and within cost forecasts, with the official opening in April 2009.

The PavCo President and CEO concluded the presentation by describing how the marketing for the new building will focus on the convention centre being one of the greenest convention facilities in North America, if not the world, and a showcase for B.C. wood products.

Committee Inquiry

After hearing from the witnesses, the committee inquiry focused on the following topics: the evolution of the project budget and the lessons learned for future projects. Individual committee members also asked questions about the economic benefit of the expansion project; monthly project status reports and reporting relationships; and convention centre rankings.

Evolution of Project Budget

Some Members asked if a breakdown existed of the actual cost of starting construction before the design work had been completed. After stating a preference for a design-before-construction approach, the Auditor General referred the cost-consequences question to the PavCo witnesses. The PavCo Board Chair agreed that in an ideal circumstance, design would be completed first. In the case of the expansion project, the foundation and piling were started before the design was completed. This construction occurred in an environment where the cost of steel and concrete was substantially lower than it would have been had the project used a design-before-tendering approach. Starting in 2005, there was a "very substantial escalation" in the cost of those materials. In response to a follow-up question, the witness stated that it would have been very difficult to obtain a fixed-price contract through 2005 and 2007, since the contractors themselves couldn't properly forecast where prices were going to end up.

Turning to the project's final budget, one Member asked if the impacts of the looming recession had been anticipated. The PavCo Board Chair reported that the $1-million left in the construction reserve and the $26-million remaining in the contingency fund would be more than adequate to complete the project. Later, the Auditor General also stated that it was reasonable to assume that costs and expenses will not exceed the $883.2 million. He added that the audit team was confident that the whole project was now being managed appropriately.

Lessons Learned

Another theme of the committee inquiry focused on the lessons learned for future major capital construction projects. In his response, the Auditor General highlighted the importance of harnessing industry experience, capabilities and competencies; ensuring openness, accountability and transparency in financial reporting; and engaging in proper preplanning.

COMMITTEE RECOMMENDATION

The Public Accounts Committee endorses the recommendation contained in the Auditor General's 3rd report of 2007/08, *A Review of the Vancouver Convention Centre Expansion Project: Governance and Risk Management,* and recommends the same to the Legislative Assembly. The committee also accepts the B.C. Pavilion Corporation's response.

AUDITOR GENERAL REPORT NO. 1, 2008/2009:
AN AUDIT OF JOINT SOLUTION PROCUREMENT AND THE REVENUE MANAGEMENT PROJECT

The Public Accounts Committee met on December 10, 2008 to consider the Auditor General's audit of joint solution procurement and the revenue management project. The committee heard presentations from the Office of the Auditor General (OAG), the Ministry of Labour and Citizens' Services and the Ministry of Small Business and Revenue.

SUMMARY OF OAG REPORT

The report points out that alternative service delivery is a strategy many governments are now using to transform the way they deliver public services. In 2003, the provincial government invested in an outsourcing process, known as Joint Solution Procurement (JSP). With this approach, private sector expertise is used, in a collaborative process, to identify a range of solutions to outsource service delivery on behalf of the province. At the time of the audit, the province had signed ten JSP contracts worth a total value of $1.6 billion.

The audit was designed to see if the JSP process followed the principles of procurement best practice. It also examined one of the early procurement projects, the outsourcing of revenue management services in 2003, to assess whether it met those principles.

The audit conclusions were that both the JSP process and the revenue management project substantially met the principles of procurement best practice, but some areas required improvement. For example, there was a need to commit sufficient staff resources to all JSP projects, and to produce a comprehensive business case for every JSP project. Also, controls to avoid conflict of interest needed strengthening.

The OAG report makes eight recommendations covering the JSP process (recommendations 1a, 1b, 1c), staff (recommendations 2a, 2b, 2c) and independence (recommendations 3a and 3b).

SUMMARY OF GOVERNMENT RESPONSE

The ADM for alternative service delivery, Ministry of Labour and Citizens' Services presented the response of his ministry and the Ministry of Small Business and Revenue. He began the presentation by thanking the Auditor General for his report and for acknowledging that the JSP process had substantially met procurement best practices. Since government remains committed to continuous improvement, it accepts all the recommendations put forward in the report.

The ADM then reviewed the steps being taken to address each recommendation. Regarding the JSP process, the JSP in a Box process guide has been updated; the new Opportunity Assessment toolkit has an extensive section on risk identification; and a complete set of policies, processes and templates now support business case development relating to outsourcing projects.

Actions pertaining to staff included a cross-ministry initiative dealing with succession planning, project-specific, conflict-of-interest forms and transition planning. The ADM reported that the

government was committed to implementing the last two recommendations regarding non-solicitation clauses; however, the details of the implementation were still being worked out.

COMMITTEE INQUIRY

After hearing from the witnesses the committee inquiry focused on the following topics: the business case for JSP projects and the need for future outsourcing audits. Individual committee members also asked questions about the privacy and security implications of alternate-service-delivery options; independence declarations; expiry date of Telus contract; and JSP criteria.

Business Case for JSP Projects

The Auditor General was asked if there had been any analysis of how much it would cost government to continue to deliver services, rather than outsourcing them. He suggested that before government moved forward to any new arrangements, there would be a business case prepared that would identify the situation as it stands at that point in time and project into the future. He added, though, that it can be a difficult call when making decisions around what framework should be deployed to give the best possible advantage.

In response, one committee member pointed out that the OAG report contains an example of a ten-year contract negotiated without a business case being done (page 27). The ADM explained that the business case for the provincial lab project took the form of a funding agreement with Canada Health Infoway.

With regard to the revenue management project, which was supported by a business case, the committee member cited the audit finding that some costs were not fully identified (page 27). The ADM reported that ministry staff now looks at the total cost of outsourcing, including the internal management function. In response to the finding that some baseline information was inaccurate (page 26), a senior official in the Ministry of Small Business and Revenue explained that the inaccurate baseline information on Group MSP payments in the revenue management contract was traced to a computer error, prompting a contract "refresh."

Future Outsourcing Audits

The Chair voiced a concern that quality of service was not given prime importance by government in evaluating outsourcing projects, even though user groups had complaints about the timeliness and quality of information of MSP operations and also student loan administration. He asked the Auditor General if a follow-up audit on customer satisfaction with JSP projects and a new performance audit on outsourcing in the health care sector were in the workplan. The Auditor informed committee members that his office would be looking at the outcomes of alternative-service-delivery arrangements over the next period of time, and that the additional work may include audits of the student loan system and outsourcing in health care.

COMMITTEE RECOMMENDATION

The Public Accounts Committee endorses the eight recommendations contained in the Auditor General's 1st report of 2008/09, *An Audit of Joint Solution Procurement and the Revenue Management Project*, and recommends the same to the Legislative Assembly. The committee also accepts the ministries' response.

AUDITOR GENERAL REPORT NO. 11, 2008/2009:
PUBLIC PARTICIPATION: PRINCIPLES AND BEST PRACTICES FOR BRITISH COLUMBIA

The Public Accounts Committee met on December 10, 2008 to review the Auditor General's report on public participation. The committee heard presentations from the Office of the Auditor General (OAG) and the Ministry of Finance.

SUMMARY OF OAG REPORT

The study points out that effective public participation is becoming an important consideration for governments as citizens and stakeholder groups increasingly expect to be involved in decision-making. As well, governments increasingly recognize the value of public participation and its use as a tool for strengthening trust and confidence in the decision-making process.

The study was undertaken to better understand public expectations regarding involvement in government decision-making; to develop an appropriate framework of public participation for British Columbia based on best practices; to determine whether the provincial government was clear about why and where it should use public participation; and to establish a reasonable standard to be used in assessing government's public participation practices.

The work was carried out between April and August 2008. The first step was to identify the best consultation practices across Canada and use them to develop a framework for public participation. The next step was to examine existing public participation practices in B.C.

The findings of the study were that the province is already undertaking consultation in many areas; however, public participation processes were inconsistent, as there is no established government-wide model.

The report recommends that the B.C. government endorse a public participation framework as a basis for engaging the public. The proposed framework contains six principles of participation and seven steps for government bodies to consider when designing a public participation process.

SUMMARY OF GOVERNMENT RESPONSE

The Deputy Minister of the Ministry of Finance described the report as "quite useful." He reported that while it agrees with the principles of participation, government needed more time to assess the seven-step process — in particular, whether it was flexible enough to cover the range of consultations government undertakes. This assessment could be done with OAG staff.

COMMITTEE INQUIRY

After hearing from the witnesses the committee inquiry focused on the scope of the proposed framework and the framework's impact on the role of legislators. Members also asked questions about international guidelines for public participation; and ministerial discretion.

Scope of Proposed Framework

The Deputy Chair inquired if the proposed public participation framework was designed to introduce an additional process, an overlay over and above existing government consultations. The Auditor General explained that the framework is a working model, or a set of principles for government to use as it finds appropriate, with guidelines that bring a common vocabulary into the whole process.

In response to follow-up questions, the Auditor rejected the idea that the adoption of the framework could delay government decision-making, as well as the Deputy Chair's suggestion that timeliness needed to be incorporated as a seventh principle of public participation. He also confirmed that the framework excluded consultation mandated by the courts or established through legislation.

Role of Legislators

One committee member described the report's recommendation as "mischievous" because the elaborate, formalized consultation process proposed in the framework would diminish the role of legislators, the elected representatives of the people, and parliament, the people's House. In response, the Auditor General cited the government's written opinion that the report provides useful guidance on engaging the public (page 13).

COMMITTEE DECISION

The Public Accounts Committee received the Auditor General's 11th Report of 2008/09, *Public Participation: Principles and Best Practices for British Columbia*, and government's response.

AUDITOR GENERAL FOLLOW-UP REPORTS

OCTOBER 24, 2008 MEETING

- *Follow-up of 2004/05 Report 3: Preventing and Managing Diabetes in British Columbia (December 2007)*

At the meeting on October 24, 2008, the Public Accounts Committee heard presentations by the Office of the Auditor General and two ministries regarding the OAG follow-up report on B.C.'s efforts to prevent and manage diabetes. The audit team leader reported that the three original recommendations had been partially implemented by June 2007 when the first follow-up was completed, and that a second follow-up has been conducted recently. Senior officials in the ministries of Health Services and Healthy Living and Sport then presented updates on the two main approaches to diabetes: prevention and proactive management.

After hearing from the witnesses, committee members asked questions on a variety of topics: ethnic group data, aboriginal health initiatives, social determinants of health, the feasibility of glucose testing in the drugstore, and the time frame for reducing incidence of diabetes.

The Public Accounts Committee accepted the Auditor General's follow-up report and the response of the ministries.

- *Follow-up of 2003/2004 Report 4: Alternate Payments to Physicians: A Program in Need of Change (February 2006)*

On October 24, 2008, the Public Accounts Committee also received an update on the status of the 24 recommendations in the OAG report relating to the management of the alternate payments program. The audit team leader reported that two were fully implemented, nine substantially implemented ad 13 partially implemented as at May 2005 when the first follow-up was completed. The presentation by the Chief Administrative Officer, Ministry of Health Services focused on the 13 partially complete recommendations. He reported that six recommendations under strategic alignment and sound program operations are now fully/substantially complete, and seven recommendations under results-based program performance recommendations are the current focus of ongoing work and linked to a broader strategic agenda.

After hearing from the witnesses, committee members asked questions about the relative merits of the alternative payment mechanism and fee-for-service model, the applicability of the alternative payments program to rural practices, emergency departments and services provided at BC Children's Hospital. In response to a question from the Chair, the Auditor General stated that he did not plan to conduct another formal follow-up; instead, he intended to take a fresh look at this important area of physician compensation and complete the new audit by the end of 2009.

The Public Accounts Committee accepted both the follow-up report and the ministry update.

NOVEMBER 25, 2008 MEETING

- *Joint Follow-up of 2001/2002 Report 1: Managing Interface Fire Risks and Firestorm 2003 Provincial Review (May 2005)*
- *Follow-up of the recommendations of the Select Standing Committee on Public Accounts contained in its Fourth Report of the 3rd Session of the 36th Parliament: Earthquake Preparedness; Performance Audit (May 2005)*
- *Follow-up of 2002/2003 Report 5: Managing Contaminated Sites on Provincial Lands (December 2004)*
- *Follow-up of Two Health Risk Reports: A Review of Performance Agreements; Information Use in Resource Allocation (December 2004)*
- *Third Follow-up of 2000/2001 Report 4: Management Consulting Engagements in Government (March 2005)*

On November 25, 2008, the Public Accounts Committee considered five follow-up reports and agreed that no further action was necessary since the topics of the first three reports were being incorporated into the OAG workplan and the other two follow-ups were now out of date. It also decided not to review the outdated OAG report on financial reporting released in March 2008.

At this meeting, the Auditor General briefed the Public Accounts Committee on the changes he proposed to make to the follow-up process to enable managers of agencies to account for their actions. The new process would involve posting updates on the status of recommendations on the OAG website in April and October.

The briefing prompted suggestions from committee members to categorize the recommendations requiring legislative action or having financial ramifications, and to consider fitting the timing of updates into government's strategic and financial planning cycle. The Chair then asked the Auditor General to submit his proposal in writing for further consideration by the Public Accounts Committee.

AUDITOR GENERAL'S FINANCIAL STATEMENT AUDIT COVERAGE PLAN FOR FISCAL YEARS 2009/2010 THROUGH 2011/2012

Section 10(6) of the *Auditor General Act* stipulates that the Auditor General must provide to a committee of the Legislative Assembly each year a plan for the appointment of auditors for government organizations and trust funds for the following three fiscal years. Section 10(9) requires this committee to approve the plan, including any amendments the committee makes before giving its approval. In addition, section 10(7)(d) requires committee approval for Auditor General to continue as the appointed auditor for a term exceeding five consecutive fiscal years; and section 14 requires the Auditor General to obtain prior consent of the committee to accept or continue an appointment as auditor for an organization outside the government reporting entity.

Under the terms of reference, adopted by the Legislative Assembly on March 4, 2008, the Public Accounts Committee was identified as the committee to review and approve the financial statement audit coverage plan, to sanction appointments beyond five years and to endorse audits outside the government reporting entity. The PAC reviewed the plan on November 19, 2008, with staff from the Office of the Auditor General (OAG) in attendance.

SUMMARY OF PROPOSED PLAN

The Assistant Auditor General, Financial Audit explained that the annual three-year coverage plan for financial statement audits excludes the 20 ministries audited by the Auditor General.

The detailed plan in Appendix A proposes three levels of audit involvement for 151 organizations within the government reporting entity. The first level is limited involvement, where there is no fieldwork and only selective review of other auditor files (108 organizations). The next level is oversight, where OAG auditors review other auditors' audit plans and year-end audit files and attend audit committee meetings (18 organizations). Lastly, there is direct or high involvement, where OAG staff or contracted firms are used to conduct audits (25 organizations).

Other considerations in determining appropriate levels of audit coverage include: a select sample of similar-type entities (e.g. school districts); risk-based selection of dissimilar-type entities (e.g. Crown corporations); and the office's capacity to staff direct audits.

The Assistant Auditor General, Financial Audit also summarized the significant changes from the prior year plan presented to the Public Accounts Committee in November 2007. The four changes are: an increase in involvement from limited to oversight coverage of School District No. 54 (Bulkley Valley) and the Fraser Health Authority; and direct audit involvement for two new Crown corporations, Pacific Carbon Trust and the Transportation Investment Corporation.

The witness reported that the proposed incremental changes to audit coverage will have a negligible impact on the OAG budget for the next three fiscal years. However, the adoption of international financial reporting standards in 2011 could pose a risk to the office budget.

The witness also informed committee members that the OAG is seeking consequential amendments to the *School Act* to resolve the question of who appoints auditors to school districts, and to the

Auditor General Act to remove the five-year limit on audit engagement.

In the course of his presentation, the witness asked the Public Accounts Committee to:

1. approve the proposed plan in Appendix A (see pages 14-24);
2. consent to the Auditor General continuing as the direct auditor of 14 government organizations where the engagement term exceeds five years (see pages 8-10);
3. consent to the Auditor General continuing as direct auditor for two organizations outside the government reporting entity, WorkSafe BC and the Provincial Employees Community Services Fund (see page 12); and
4. endorse the Auditor General to continue to administer the auditor appointment process (see pages 12-13).

Committee Review

Committee members asked the OAG witnesses for a further explanation of the case for relaxing the five-year rule and the fee structure for external audits.

Regarding the detailed plan in Appendix A, they inquired about the level of audit involvement with Langara College (page 14), UBC (page 20), British Columbia Transit (page 22), Private Career Training Institutions Agency (page 23) and the Pacific Carbon Trust (page 25).

For organizations not in the government reporting entity, committee members were interested in the OAG rationale for continuing direct audits of the Provincial Employees Community Services Fund and WorkSafe BC (page 24) and for excluding the British Columbia Safety Authority, an independent, self-funded corporation. The Auditor General was also asked to update members on the consultations with legislative offices regarding future audit involvement (page 24).

Committee Decision

The Public Accounts Committee approved the four recommendations, listed above and on page 2 of the plan, as required by sections 10 and 14 of the *Auditor General Act*.

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Interagency Committee on Forest Safety Terms of Reference (Draft 2, February 14, 2008)

Correspondence from Jim Soles, Assistant Deputy Minister, Ministry of Labour and Citizens' Services to Rob Fleming, Chair, Select Standing Committee on Public Accounts, June 17, 2008

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Ministry of Children and Family Development, MCFD Progress Report to Public Accounts Committee Re Aboriginal Child Protection, December 2, 2008

Follow-up Correspondence from Craig Wilkinson, MCFD to Chair and Deputy Chair of the Public Accounts Committee Re Aboriginal Children in Care, December 30, 2008

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Interior Health, Presentation to the Select Standing Committee on Public Accounts Re Working to Improve Access to Surgical Services – Interior Health Authority Response and Action Plan

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Office of the Auditor General of British Columbia, Presentation Re A Review of the Vancouver Convention Centre Expansion Project Governance and Risk Management October 2007

PavCo Response to Auditor General's Review of Vancouver Convention Centre Expansion Project, Presentation to Public Accounts Committee, December, 2008

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Ministry of Labour and Citizens' Services and Ministry of Small Business and Revenue, Presentation Re Joint Solution Procurement and Revenue Management Project Audit

Office of the Auditor General of British Columbia, Presentation Re Public Participation: Principles and Best Practices for British Columbia, December 2008

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